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14  
15 IN THE UNITED STATES BANKRUPTCY COURT  
16 FOR THE DISTRICT OF ARIZONA

17 In Re: ) Proceedings Under Chapter 11  
18 )  
19 BCE WEST, L.P. et al., ) Case No. B98-12547-ECF-CGC through 98-  
20 Debtors. ) 12570-ECF-CGC  
) Jointly Administered  
)  
21 ) **DEBTORS' SHORT-FORM DISCLOSURE**  
22 ) **STATEMENT FOR PARTIES DEEMED TO**  
23 ) **HAVE REJECTED SECOND AMENDED**  
24 ) **PLAN FILED FEBRUARY 17, 2000**  
)

25 **I. INTRODUCTION**

26 Boston Chicken, Inc. (“BCI”), BC Real Estate Investments, Inc. (“BCREI”), and  
27 the Boston Chicken Affiliates (as defined in the proposed joint plan of reorganization described  
28 herein (“the Plan”), and together with BCI and BCREI, the “Debtors”) are furnishing this short  
form Disclosure Statement (“Abbreviated Disclosure Statement”) to (a) all holders of 1994  
Debentures, 1997 Debentures and LYONs, and all holders of claims alleging damages or the

1 right to rescind the purchase of a Debenture or of an equity security (collectively, "Subordinated  
2 Creditors"), and (b) all holders of common and preferred equity interests in any of the Debtors  
3 (collectively, "Equity Holders"). **Subordinated Creditors and Equity Holders will not**  
4 **receive or retain any property or interest under the Plan and, therefore, are deemed to**  
5 **have rejected the Plan. If you are a Subordinated Creditor or an Equity Holder you need**  
6 **not vote on the Plan, you are deemed to have rejected the Plan.** The information contained  
7 herein is intended to enable you to decide whether to object to confirmation of the Plan.

8 The Debtors believe that there is no scenario or plan that has any reasonable  
9 chance of resulting in any distribution to Subordinated Creditors or Equity Holders. The Debtors  
10 believe, therefore, that successful opposition to the Plan would not likely result in any economic  
11 return to Subordinated Creditors or Equity Holders.

12 Unless otherwise defined in this Abbreviated Disclosure Statement, all capitalized  
13 terms contained herein will have the meanings ascribed to them in the Plan.

## 14 II. SUMMARY OF THE PLAN

### 15 A. Sale of Operating Assets

16 The Plan is premised on the Asset Purchase Agreement which provides for the sale of  
17 substantially all of the Debtors' assets to Golden Restaurant Operations, Inc. ("Buyer"), a wholly  
18 owned subsidiary of McDonald's Corporation, for an aggregate estimated consideration of  
19 \$173.5 million, including the Cash Consideration and the assumption of certain liabilities.  
20 Substantially all of the assets to be sold are subject to Claims asserted by Secured Creditors. The  
21 Liens securing such Claims shall attach to the sale Proceeds with the same validity and priority  
22 as they currently have on the assets being sold. Allocation of the purchase price among the  
23 Collateral of various Secured Creditors shall be determined by subsequent order of the  
24 Bankruptcy Court.

### 25 B. Current Operations And Reasons For Sale To Buyer

26 Although the Debtors' operations have improved substantially, any effort to continue  
27 operating as an independent business would have substantial risks including: (i) the increase in  
28 sales is over a relatively short period and there is no guarantee that this increase is a sustainable  
long term trend; (ii) the Debtor's business is seasonal, with much lower revenues during the first  
two months of each calendar year (i.e., the Debtors are in their slowest sales months), (iii) the  
DIP Lenders might seek to enforce their rights under the DIP Facility, thereby potentially  
compelling the Debtors to cease operations, if they could not find alternative financing;<sup>1</sup> and (iv)

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<sup>1</sup>The DIP Lenders have granted a series of short-term waivers of financial covenant defaults under the DIP Facility, thereby restricting the availability of funds necessary to continued operation of the Debtors' businesses. When the Debtors entered into the Asset Purchase Agreement, the DIP Lenders were in a position to contend that the Debtors were, or would shortly be, in covenant default under the DIP Facility. The DIP Lenders indicated they might seek to enforce their rights, to the detriment of all Creditors, if they were faced with an indefinite delay in the filing of a plan. Since entering into the Asset Purchase Agreement, the DIP Lenders and the Debtors have entered into a sixth amendment to the DIP Facility, which waives the financial covenant defaults through February 18, 2000, but creates an event of default if the Asset Purchase Agreement is terminated by the Buyer under certain circumstances or by the Debtors without the DIP Lenders' consent. The Creditors' Committee contends that the DIP Lenders would not

1 the DIP Facility expires by its own terms on April 4, 2000. Continued operations could actually  
2 reduce the ultimate value received if sales volumes either decline from current levels or do not  
3 continue to improve. Moreover, continued operations would certainly delay the ultimate  
distribution to Creditors and increase the Debtors' administrative costs.

4 Based on the foregoing factors, the Debtors agreed with the 1996 Lenders to proceed  
5 with the efforts to market their assets, even as their operating results continued to improve. The  
6 highest gross purchase price offered was by the Buyer. Based on comparable sales data provided  
7 by Lazard, this is a fair price. Based on Lazard's extensive marketing efforts and the number of  
potential buyers with whom the Debtors have negotiated, the Debtors do not believe it is likely  
they could obtain a higher price at this time.

8 The 1996 Lenders would bear the bulk of the risk and receive most of the benefit of any  
9 change in value generated by continued operations. The Allowed Claims of Creditors with Liens  
10 total approximately \$285.4 million (excluding DIP Facility Claims). The total purchase price,  
11 net of administrative costs of consummating the sale, administrative Claims being assumed and  
12 the DIP Facility Claims, is approximately \$97.4 million. The Retained Assets that are subject to  
13 Liens may have a value of approximately \$8.5 million. The deficiencies of the Secured  
14 Creditors, therefore, will total approximately \$179.5 million, if the sale to the Buyer is  
15 consummated. If the Proceeds were increased by anything less than this amount the benefit of  
that increase would inure primarily (if not exclusively) to the Secured Creditors. The bulk of  
that increase would probably go to the 1996 Lenders. Under these circumstances, the fact the  
1996 Lenders urged the Debtors to enter into the Asset Purchase Agreement and opposed  
incurring the risks of further operations, was an important consideration in the Debtors' ultimate  
decision to accept the Buyer's offer.

#### 16 C. Distribution of Sale Proceeds.

17 Once the Cash Proceeds received from the Buyer are allocated, those Proceeds will be  
18 distributed to pay Creditors entitled to priority under the Bankruptcy Code and the holders of  
19 Claims secured by Liens. To be certain there is enough Cash available to pay all priority  
20 creditors, the 1996 Lenders have agreed to allow the use of the Proceeds from the sale of their  
21 Collateral to pay any shortfall between the proceeds of unencumbered assets and the amount of  
22 the priority Claims. If it is necessary to use the 1996 Lenders' Proceeds to pay Priority Claims,  
they will be granted a 1996 Lenders' Reimbursement Claim to be paid from, and secured by, the  
Retained Assets. It is unlikely that any of the consideration received from the Buyer will remain  
after payment of the Priority Claims and Secured Claims.

23 The Retained Assets that are not sold to the Buyer will be transferred to the Plan Trust on  
24 the Effective Date, subject to all valid and enforceable Liens and a new Lien to secure the 1996  
25 Lenders' Reimbursement Claim. The Plan Trustee will be responsible for liquidating Retained  
26 Assets. The Plan Trustee will turn over consideration received for Retained Assets that  
constitute Collateral to the Secured Creditor with a Lien thereon, or will surrender to each  
Secured Creditor its Collateral.

27 enforce their rights under the DIP Facility because it would reduce the recovery by the 1996 Lenders and many of  
28 the DIP Lenders are also 1996 Lenders. Neither the Debtors nor the Creditors' Committee can predict with certainty  
how the DIP Lenders will react in the future.

1 The Plan Trustee will distribute the Estate Funds (proceeds of Retained Assets that are  
2 not Collateral, and any surplus after payment in full of any Secured Creditor) in the following  
3 order: (1) to satisfy the 1996 Lenders' Reimbursement Claim, (2) to satisfy the 1996 Lenders'  
4 Adequate Protection Obligations, and (3) pro rata to the general unsecured Creditors (including  
any deficiency Claims of the Secured Creditors of that Debtor) of the Debtor that owned such  
Retained Assets immediately prior to the Confirmation Hearing.

5 In the case of BCI, the allocation among unsecured Creditors will enforce the contractual  
6 subordination provisions of the Debentures issued by BCI to those creditors in each subclass of  
7 Class 6 (the 1994 Debentures, 1997 Debentures, and LYONs) and the statutory subordination  
8 provisions dealing with claims arising from the purchase or sale of securities. The distributions,  
9 if any, that otherwise could have been made to Debenture holders will be made to the Unsecured  
10 Creditors of BCI to whom they are contractually subordinated, until and unless such senior  
11 Unsecured Creditors are paid in full. The Secured Creditors' deficiency will constitute a senior  
Unsecured Claim that must be paid in full (together with any other senior Unsecured Claims)  
before the Debenture holders can receive any distribution from the Retained Assets. There is no  
reason to believe the Retained Assets will generate sufficient proceeds to pay these senior  
unsecured Claims in full.

12 **It is extremely unlikely that the BCI Class 6 Debenture holders will receive any**  
13 **distribution under the Plan, because of this subordination.<sup>2</sup> Holders of Equity Interests**  
14 **and holders of Debt Securities Claims and Equity Securities Claims are subordinate to the**  
15 **Debentures and, therefore, shall not retain or receive any property under the Plan. As a**  
**result, these Classes of Claims and Interests are deemed to have rejected the Plan and their**  
**votes will not be solicited. They do, however, have the right to object to confirmation.**

### 16 III. MISCELLANEOUS MATTERS

#### 17 A. Disclaimers

18 The statements contained in this Abbreviated Disclosure Statement are made as of the  
19 date hereof, unless another time is specified, and the delivery of this Abbreviated Disclosure  
20 Statement will not, under any circumstance, create any implication that the information  
contained herein is correct at any time subsequent to the date hereof.

21 As to contested matters, the information in the Abbreviated Disclosure Statement is not to  
22 be construed as admissions or stipulations but rather as statements made in settlement  
23 negotiations. The Debtors cannot warrant or represent that the information contained in this  
24 Abbreviated Disclosure Statement is without inaccuracy. Neither the Debtors nor their counsel  
25 have verified the information contained in this Abbreviated Disclosure Statement, although they  
26 do not have actual knowledge of any inaccuracies. The approval by the Bankruptcy Court of the  
Abbreviated Disclosure Statement does not constitute an endorsement by the Bankruptcy Court  
of the Plan or a guaranty of the accuracy and completeness of the information contained herein.  
Neither the Securities and Exchange Commission ("SEC") nor any state securities commission  
has either approved or disapproved (a) the information contained in this Abbreviated Disclosure

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27 <sup>2</sup> Indeed, there will be no distribution to the holders of Allowed Unsecured Claims that are not subordinated unless  
28 the Proceeds from all unencumbered assets exceed the sum of the 1996 Lenders' Reimbursement Claim and  
Adequate Protection Obligations, if any.

1 Statement, (b) the accuracy or adequacy of the statements contained herein, or (c) the terms of  
2 the Plan.

3 **All exhibits or schedules to the full disclosure statement or the Plan and the full**  
4 **disclosure statement and the Plan may be obtained, once filed, through the bankruptcy**  
5 **court's website: <http://ecf.azb.uscourts.gov> or upon written request to the following address:**

6 **AKIN, GUMP, STRAUSS, HAUER & FELD, L.L.P.**  
7 **711 Louisiana, Suite 1900**  
8 **Houston, Texas 77002**  
9 **Attn: Laura DeWitt**

10 **Plan provision summaries and all other statements made in this Abbreviated**  
11 **Disclosure Statement are qualified in their entirety by reference to the Plan, the exhibits**  
12 **and schedules to the full disclosure statement and the Plan and any other documents**  
13 **referenced therein. Creditors should not construe the contents of this Abbreviated**  
14 **Disclosure Statement as providing any legal, business, financial or tax advice. Each**  
15 **Creditor should consult with its own legal, business, financial and tax advisors with respect**  
16 **to any such matters contemplated thereby.**

17 **B. Order Governing Plan Confirmation Process**

18 On February 17, 2000, the Bankruptcy Court entered its order (i) approving the  
19 disclosure statement as containing "adequate information" for Creditors entitled to vote on the  
20 Plan pursuant to Section 1125 of the Bankruptcy Code, (ii) approving the Abbreviated  
21 Disclosure Statement as containing adequate information for the Subordinated Creditors and  
22 Equity Holders who are deemed to have rejected the Plan; (iii) fixing March 22, 2000 at 4:00  
23 p.m. (Phoenix time) as the deadline for filing and serving any objections to Confirmation of the  
24 Plan, and (iv) setting April 4, 2000 at 10:00 a.m. as the date and time to begin a preliminary  
25 hearing on the Confirmation of the Plan. At that preliminary hearing the Bankruptcy Court will  
26 set a final Confirmation hearing date, which will be announced in open Court. No further notice  
27 of the final Confirmation hearing date will be mailed.

28 **If you object to confirmation of the Plan you must file your objection in writing with**  
**the Clerk of the Bankruptcy Court and serve copies thereof on counsel for the Debtors at**  
**the addresses set forth on the first page. Any objection that is not timely and properly**  
**filed and served may not be considered by the Court.**

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